

Ties That Bind: Case Study

Brazilian Uruku – Aveda

This case tracks the relationship between the Brazilian Yawanawa tribe who produce uruku pigment, and the United States based personal care product and cosmetics company Aveda Corporation. This international buyer-supplier relationship has enabled the Yawanawa tribe to become economically independent, and has supplied Aveda with a unique natural and organic product for a specialty line of cosmetics. This case demonstrates the importance of buyer and supplier initiative, the unique opportunity for rare indigenous products, as well as the need for mutual benefit of all parties involved. This case also demonstrates the need for commitment on behalf both the buyer and supplier to see a relationship through difficult times.

Origins and Nature of the Buyer-Supplier Relationship

The Yawanawa tribe lives on the banks of the Gregorio River in Acre State on the western edge of Brazil's Amazon rainforest. The tribe is one of the oldest indigenous groups in Brazil and has approximately 1000 members. For years the Yawanawa have struggled to maintain their customs and independence despite the invasion of rubber developers and Protestant missionaries. After Chief Bira was elected in 1987, a renewed drive to create economic growth apart from the rubber developers began, and with this drive came the reemergence of production of an indigenous tree - the urukum tree. In 1992 the community formed an Organization to formalize leadership and serve as a representative body called Organizacao dos Agricultores e Extractivistas Yawanawa do Rio Gregorio (OAEYRG).



Bixa Orellana, called Uruku, among other names

Aveda is a personal care product and cosmetics company based on the art and science of pure flower and plant essences that fulfill the brand's mission of environmental sustainability. In the early 1990s, Aveda chemists discovered that a rainforest plant called Bixa orellana, commonly known as uruku, contained a pigment that would be optimal for lipstick coloration. Uruku was considered ideal for Aveda because it is a natural pigment which provides deep, earthy tones that are desired by Aveda's consumers. Peter Matravers, VP of Aveda Research and Development describes the company's development strategy as "based on a commitment to replace petrochemical and synthetic ingredients by using renewable resources – organically grown or wild harvested, free of petrochemicals, synthetic fertilizers and herbicides...We try to form partnerships with sources to develop organic material grown in conditions that conserve biodiversity."¹

¹ Kerry ten Kate and Sara Laird, *The Commercial Use of Biodiversity: Access to Genetic Resources and Benefit-Sharing*, Earthscan Publications, London, 1999.

At the June 1992 United Nations Conference on Environment and Development (“Earth Summit”) in Rio de Janeiro, Chief Bira, Aveda founder Horst Rechelbacher, and Brazilian anthropologist May Waddington made contact in order to discuss the Yawanawa urukum production. In 1993, Mr. Rechelbacher and Ms. Waddington visited the tribe and started a partnership to create an urukum plantation cultivated by the Yawanawa to provide Aveda with organic urukum pigment for the production of cosmetics. Aveda provided a loan to the Yawanawa to provide for start-up costs including 13,000 seedlings to be planted in groves, between houses, along paths, and in the deforested areas of the community.² The loan, worth \$50,000, was negotiated to be paid back through a reduction in price paid by Aveda for the finished product (Aveda agreed to pay twice the local market price, and then negotiated a reduction of 20% in order to cover the cost of the loan over time). In addition, Aveda also committed an investment of US \$25,000 per year between 1993 and 1997 in order to build infrastructure and capacity for a long-term partnership.

Almost immediately the project faced stumbling blocks. The humidity in the forest prevented the product from drying properly, which led to Aveda receiving shipment upon shipment of bacteria-infested uruku. After experiencing quality issues working with the Yawanawa directly, Aveda decided to contract a firm in Sao Paulo called Formil/Flora Brasil to process and standardize the



Skin coloring with uruku
(<http://aveda.aveda.com/protect/we/uruku.asp>)

product before shipping it to the United States. Adding this extra “local” step in the distribution, though of no direct monetary benefit to Aveda, provided a method to ensure quality prior to shipment. In addition, in the mid-1990s there was a malaria outbreak in the region. Aveda responded to these and other problems throughout the mid-1990s by building a health center, putting in panels for solar energy, building a school and investing in a special seed drying system for the tribe to use. May Waddington, the Brazilian anthropologist working with Aveda, has indicated that it took six years for this project to really materialize, instead of the originally planned two years.³

² <http://aveda.aveda.com/protect/we/uruku.asp>

³ Miriam Jordan: “From the Amazon to Your Armrest - Daimler, Hermes and Aveda Find Rain Forest Products Help Farmers, Save Trees”, Wall Street Journal, May 1, 2001.

Challenge	Response	Cost ⁴
Lack of planting and production capabilities to form partnership	Initial loan to OAEYRG to be paid back through a reduction in price paid by Aveda	US \$50,000 (re-paid over time)
Humid conditions led to improperly dried seeds and bacteria in international shipments	Invest in solar energy panels and other infrastructure	US \$25,000 per year (1993-1997)
	Install special drying machinery	US \$15,600
Product was not certified organic for US market	Invest in organic certification inspection process	US \$5,000
Local malaria outbreak impeding worker productivity	Invest in local health center with malaria screening capacity	US \$37,000
Desire for greater community development	Invest in building local school and regional OAEYRG office	US \$25,000 per year (1993-1997)
	Expand solar energy to residents	US \$16,500

Role of Outside Support / Facilitation

May Waddington was hired as an Aveda resource specialist based in Brazil to explore opportunities for environmentally sustainable products for the company. Waddington was an acquaintance of Chief Bira of the Yawanawa tribe because of her previous involvement in the indigenous rights movement in Brazil as an anthropologist. She provided a unique and timely connection for Aveda because she knew Chief Bira was attempting to reinvigorate his tribe's economic independence based on the urukum plant, and she knew that this plant was the type of product in which Aveda could have interest. Ms. Waddington understood both the culture of Aveda and the Yawanawa peoples' culture, and was able to take advantage of that in order to act as a highly effective communicator for the partnership.

Costs and Benefits of the Buyer-Supplier Relationship

Aveda Costs:

- Aveda had planned for the relationship to be functional and profitable within two years, but ultimately had to wait approximately six years for this to occur.
- Aveda opted to make unexpected investments (approximately US \$75,000) such as additional equipment and health facilities based on initial failures; while the company was not opposed to making these investments, they were unanticipated.

Yawanawa Costs:

- Drying machinery and expanded solar power are modern-day intrusions that have been introduced to the otherwise pure and isolated Yawanawa environment.
- The relationship with Aveda has turned into a functioning modern-day business, a concept otherwise foreign to the subsistence way-of-life of the Yawanawa.

Aveda Benefits:

⁴ May Waddington and Sara Laird, "The production and marketing of a species in the 'public domain': the Yawanawa and Aveda Corporation Bixa orellana Project, Brazil" in *The Commercial Use of Biodiversity*.

- Aveda's research chemists have used the urukum pigment to create superior lip and eye cosmetics; they have also explored the possibility of using uruku in hair color and shampoo/conditioner products.
- Aveda has found a superior product which satisfies the brand's strict qualifications regarding environmental sustainability; the environmentally pure and indigenous nature of the product aligns with the desires of Aveda's customer base.
- Aveda receives a guaranteed flow of the unique product due to the terms of the negotiated partnership.
- The product line did so well in the late 1990s that Aveda expanded the Uruku line in spring 2003 to include 12 additional shades; the line also expanded from just lip and eye color to include cheek color.

Yawanawa Benefits:

- Economic success has earned the tribe respect locally and internationally, and it has renewed pride in its traditional culture. This renewed pride has led many members to return to the tribe, so population has increased since the partnership began.
- The partnership continues to create jobs and a means of cultural survival for the community, while also preserving the beauty of the land from the threat of loggers and rubber-tappers.
- The Yawanawa gained organic certification for their product which positions the community for further international partnerships.
- As production increased, the Yawanawa sought other outlets for sale and formed partnerships with companies in Sao Paulo to process the urukum for other uses such as dyes in food products.
- Although the community is operating a modern business, the group has maintained traditional methods of distributing the benefits amongst its members; overall control of the economy and economic prosperity has increased.



Strategies for Overcoming Risks

The main strategy for overcoming the risks involved in this case was the expressed and continued commitment on behalf of both the Aveda Corporation and the Yawanawa tribe. The Yawanawa were clearly committed to the project as this was viewed as the opportunity to gain economic autonomy through an indigenous product. Aveda was committed to this project because the product satisfied the stringent quality and environmental sustainability company regulations. The persistence on behalf the Yawanawa and the continued investment by Aveda to overcome obstacles were both key ingredients in ultimately creating this successful relationship.

Lessons Learned

- The desire of the Yawanawa people to regain economic independence, as well as the desire of Aveda to obtain indigenous and environmentally sustainable inputs for the company's products created mutually reinforcing incentives which materialized with the impetus provided by May Waddington.

- May Waddington's role is an example of how a non-market facilitator, can play a key role in facilitating and solidifying a commercial relationship in its early stages.
- The contracting of Formil/Flora Brasil illustrates a sound value chain approach. Aveda recognized that many of the quality control and finishing activities were beyond the current capabilities of the Yawanawa. Rather than attempt to build those capabilities, and potentially compromise the relationship, Aveda decided to contract a third party to play the dual role of packaging and quality control.